HOUSING MARKET OUTLOOK

Hamilton

Canada Mortgage and Housing Corporation

www.cmhc.ca

Spring 2005

New Home Market

Construction boom to continue

Solid job growth, higher incomes and migration will lead to strong housing demand during 2005 in Hamilton. Housing starts have been trending higher since 2003 in the Hamilton Census Metropolitan Area (CMA), hereon referred to as Hamilton. Growth in construction was spectacular last year, where starts jumped by 26 per cent. This strong momentum will continue. Expect starts to remain unchanged at 4,100 units in 2005.

Rapidly rising prices of new single-detached homes in the Toronto CMA will increase demand for single-detached homes in adjacent centres like Hamilton. As a result, Hamilton's construction of single-detached homes will shoot up by 6.3 per cent to 2,120 units. The highly volatile multi-family home starts will see a decline of 5.6 per cent in 2005. Demand for single homes will surpass demand for all housing types. Historically, single-detached homes have dominated residential construction in Hamilton. This pattern will repeat itself in 2005.

Mortgage rates, though expected to rise this year, will remain low by historical standards. This implies low mortgage carrying costs for home buyers, and it will be especially attractive to those seeking to buy expensive single-detached homes.

A shortage in the supply of new listings in the resale market has been a characteristic feature of the Hamilton resale home market and will boost new home prices in 2005. The average single-detached price of a new home went up by a massive 11 per cent last year. The average new home price will increase by 12 per cent to $355,000 in 2005.

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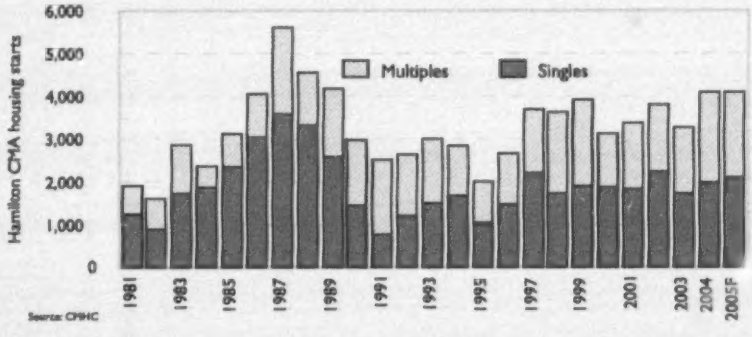
Detached homes are more popular



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HOME TO CANADIANS

Burlington and Ancaster, which typically boast more expensive homes, will drive the average price of new homes higher in Hamilton CMA. It will come as no surprise if the price of an average new single-detached home in these sub-markets top $500,000 in 2005. Move-up buyers, empty nesters with large accumulated equity, and those looking to escape even higher house prices in the Toronto CMA, are the primary buyers of such expensive homes. The rising new home prices are also indicative of increasing wealth in the Hamilton economy, which in turn translates into housing demand.

In addition to resale market supply constraints, the cost of land, labour and materials will also push average new home prices higher in 2005. The New Home Price Index (NHPI) will increase by six per cent in 2005.

Resale Market

Sales will break all time record

A strong labour market coupled with rising income levels and low mortgage rates will ensure that demand for resale homes stay at a record level in 2005. Hamilton's home sales reached an all time record in 2004 and topped 13,176 units. Home sales will stay buoyant in 2005 and sales will reach 13,350 homes. Though this will represent only a marginal increase of 1.3 per cent from last year, the new level will represent an all time record for Hamilton.

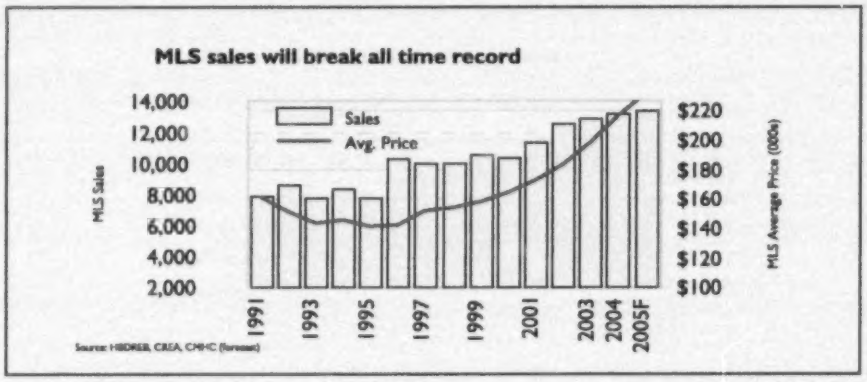
While mortgage rates have remained stable in recent years, rising house prices have eroded affordability for many first-time buyers. Some will opt for more affordable homes such as town houses and condominium apartments and as a result, expect to see strong demand for existing multi-family homes in 2005.

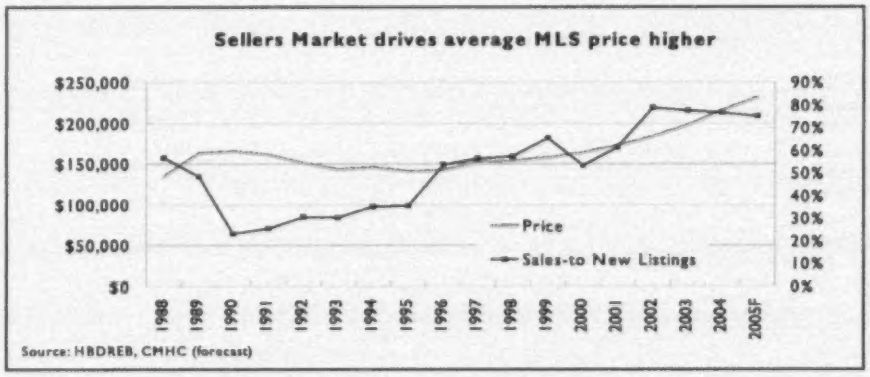
Intra-provincial migrants, especially those coming in from surrounding areas, will find Hamilton more affordable than the Toronto CMA. Hamilton is a destination also favoured by immigrants. Following record growth in 2004, more gains in immigration are expected this year. Housing demand will be boosted by the increase in Hamilton's population.

New listings have trended lower for almost a decade. Encouraged by the rising price of resale homes, new listings will rise by 3.2 per cent in 2005, but levels will still be very low by historical standards.

The Hamilton resale market will remain very tight with a high sales forecast and low new listings supply by historical standards. The sales-to-new listings ratio is a good indicator of the state of the market. A market with a ratio above 55 per cent is considered in favour of sellers, while a ratio below 35 per cent, a buyers. A market with a ratio in between is considered balanced. The Hamilton resale market has been in strong sellers territory for the last four consecutive years. Expect the market to remain in favour of sellers' in 2005, with a sales-to-new listings ratio of a whopping 75 per cent.

Often in a tight resale market, price growth will exceed inflation. The average Multiple Listings Price (MLS) rose by nine per cent in 2004, and was approximately four times the rate of inflation as measured by the Consumer Price Index. Price growth will show no restraint in 2005, and expect to see a 7.4 per cent growth in the average MLS price from last year to reach $232,000.





Economic Overview

Strong job growth

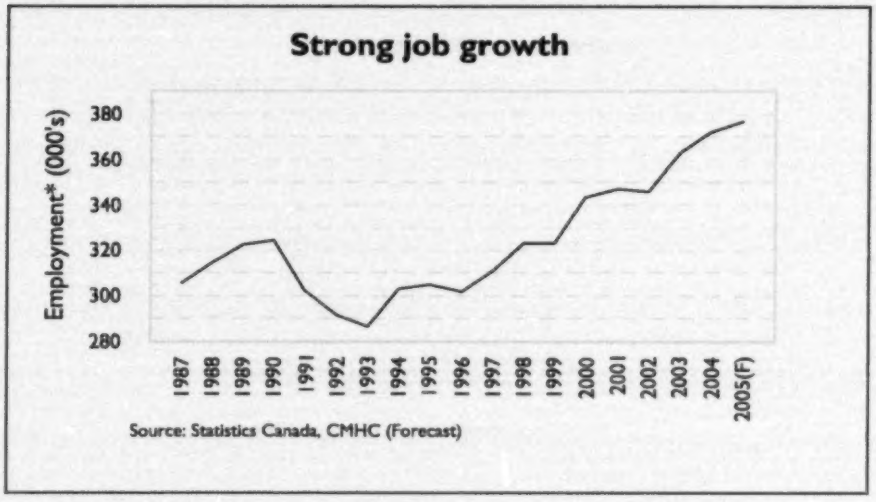
Moderate economic growth is expected for Hamilton in 2005. Hamilton has had phenomenal job growth over the last decade. Over 70,000 new jobs have been added to the economy since 1995 and have been the engine of housing demand in Hamilton.

The news is not all good for the local economy. Hamilton's manufacturing sector has been plagued by woes in the steel sector. Stelco, the giant steel manufacturer, is currently under bankruptcy protection. More layoffs are in the offing this year as it tries to restructure its operations. Several other manufacturers such as Camco and Dover Packaging have closed down plants and hundreds of jobs were lost in the process.

Despite the layoffs, the Hamilton economy has been successful in generating more new jobs in 2004 than the jobs lost. Total employment grew by 2.6 per cent last year. Losses incurred in the construction and some service sectors were offset by gains in transportation and communications sectors. The services sector will ensure continuous employment growth in Hamilton during 2005. Expect employment growth to rise by 1.4 per cent.

Hamilton has gained popularity among many residents from the Toronto CMA looking to escape high house prices. Burlington, linked to downtown Toronto through the GO train service, offers speedy access for commuters during the rush hour. Increasing condominium developments in Burlington is a direct response to the demand arising from this group of people.

Hamilton is a key port of entry for immigrants. In 2004, net immigration went up by a whopping 22 per cent.



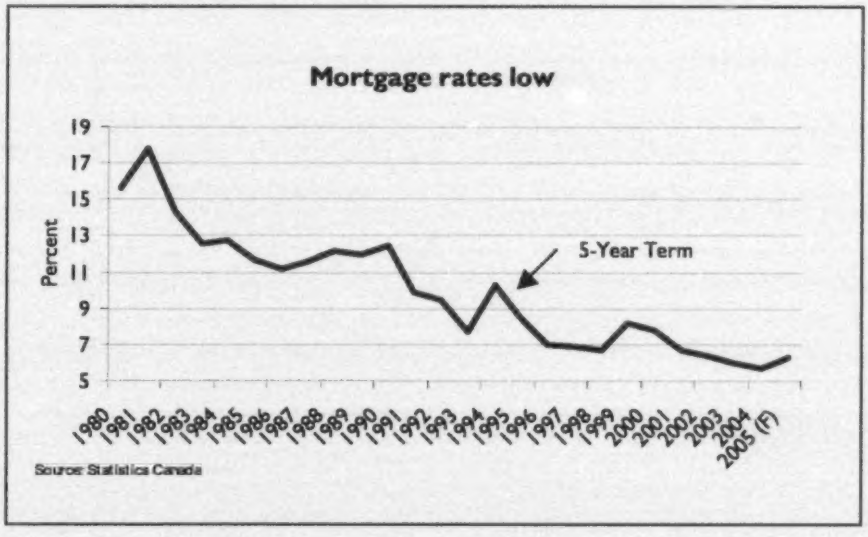
This influx of people will boost the labour force by 1.1 per cent and also the demand for housing.

Consumer confidence recovered from a slight downward shift during the third quarter of 2004. Canadian exporters have weathered export pressures from a rising Canadian dollar.

Mortgage rates will hold steady

Short-term mortgage rates move in tandem with the prime rate while mid- and long-term mortgage rates vary in response to the cost of raising funds in the bond markets. Posted mortgage rates are forecast to rise moderately as interest rates head up in 2005-06. However, tame inflation, a strong Canadian dollar vis-à-vis the U.S. dollar, and slower economic growth in Canada will restrain the size and speed of Canadian interest and mortgage rates increases in 2005-06.

Mortgage rates are expected to remain low, rising by less than 50 basis points annually this year and next. One, three and five-year mortgage rates are forecast to be in the 4.50-5.50, 5.50-6.50, and 5.75-6.75 per cent range respectively in 2005.



FORECAST SUMMARY
HAMILTON CENSUS METROPOLITAN AREA
Spring 2005

NEW HOME MARKET	2002	2003	2004	2005F	% Change
Starts					
Single-detached	2,259	1,743	1,995	2,120	6.3%
Multi-family	1,544	1,517	2,098	1,980	-5.6%
Total	3,803	3,260	4,093	4,100	0.1%
Average New House Price					
Single-detached	$261,341	$285,755	$316,705	$355,000	12.1%
RESALE MARKET					
Hamilton-Burlington and District REB					
MLS[1] Sales	12,482	12,807	13,176	13,350	1.3%
MLS New Listings	15,850	16,555	17,223	17,774	3.2%
Sales-to-Listings Ratio	78.8%	77.4%	76.5%	75.1%	-
MLS Average Price	$183,442	$197,744	$215,922	$232,000	7.4%
ECONOMIC OVERVIEW					
Mortgage Rate (1 year term)	5.17	4.84	4.59	5.01	-
Mortgage Rate (5 year term)	7.02	6.39	6.23	6.28	-
Employed (000's)	347.9	363.0	372.0	377	1.4%
Employment Growth (000's)	-0.5	16.1	9.3	5.2	-
Net Migration (tax filer data)	5,781	6,491	6500(F)	6600(F)	1.5%

Sources: CREA, Hamilton-Burlington and District Real Estate Board, Statistics Canada, and Conference Board of Canada
1 Multiple Listings Service (MLS) is a registered certification mark own by the Canadian Real Estate association (CREA)

Housing Market Outlook is CMHC's forecast for new home and resale markets. Issues are released in the Spring and Fall of each year.
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